



## The State of New Hampshire Insurance Department

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### **Filing of Workers Compensation Dividend Plans**

There are multiple types of dividend plans available within the Workers' Compensation marketplace countrywide, and in New Hampshire as well. The New Hampshire Insurance Department would like to provide some clarification to insurers in the state as to what may be acceptable. We are aware that there is currently an understanding in some parts of the marketplace that the Department will not allow Association dividend plans, and we would like to confirm that this is not necessarily the case. The Department does not currently exclude consideration of Association plans and will consider each filed dividend plan on its own merits to confirm that it meets regulatory guidelines.

#### **General guidelines:**

- NH RSA 412:28.I requires that insurers file their dividend plans with the Department for review and approval. Any terms & conditions of the dividend plan, along with any criteria for payout under the dividend plan (e.g. a loss ratio criteria) must be defined and explained in the filing and must not be unfairly discriminatory to the members of the group for which the plan is designed.
- Dividend plans must be applied uniformly to all accounts that are members of the group for which the plan is designed (e.g. all accounts in a participating company or all members of a safety group.)
- There must be an endorsement attached to each policy that indicates that dividends are not automatic and any disbursement has to be approved by the Board of Directors of the insurance company.

Within these general guidelines, the Department will consider:

- Participating Plans
- Safety Group Dividend Plans
- Association Dividend Plans

In a participating company plan, all insureds in the company in which the plan is filed must be eligible for the dividend program.

In a Safety Group or Association plan, all members of the group must be eligible for the dividend program. Each risk should be individually underwritten, and the members of the group should be homogeneous (i.e. having like hazards and exposures.) Dividends can only be developed from group experience, but dividends must be disbursed to individual members/insureds within the group.

Please note that this clarification does not replace the entirety of existing dividend plan guidelines, but only clarifies what types of plans may be filed for consideration.

For further information or to discuss the content of this notice, please contact Deb Stone, FCAS, MAAA at the New Hampshire Insurance Department. She can be reached at (603) 271-7973 x258 or by e-mail at [deborah.stone@ins.nh.gov](mailto:deborah.stone@ins.nh.gov).